

ASSEMBLY BILL

No. 389

Introduced by Assembly Member Saldana

February 23, 2009

An act to amend Section 10236.13 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 389, as introduced, Saldana. Long-term care insurance.

Existing law prohibits an insurer from increasing the premium for an individual or group long-term care insurance policy or a specified certificate unless the insurer received prior approval from the Insurance Commissioner. Existing law requires the insurer to submit to the commissioner all proposed premium rate schedule increases that include certain specified information, such as an actuarial memorandum justifying the rate schedule change and a statement that renewal premium rate schedules are not greater than new business premium rate schedules.

This bill would make a technical, nonsubstantive change.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 10236.13 of the Insurance Code is
- 2 amended to read:
- 3 10236.13. No insurer may increase the premium for an
- 4 individual or group long-term care insurance policy or certificate
- 5 approved for sale under this chapter unless the insurer has received
- 6 prior approval for the increase from the commissioner.

1 The insurer shall submit to the commissioner for approval all
2 proposed premium rate schedule increases, including ~~at least~~, *but*
3 *not limited to*, all of the following information:

4 (a) Certification by an actuary, who is a member of the American
5 Society of Actuaries and who is in good standing with that society,
6 that:

7 (1) If the requested premium rate schedule increase is
8 implemented and the underlying assumptions, which reflect
9 moderately adverse conditions, are realized, no further premium
10 rate schedule increases are anticipated.

11 (2) The premium rate filing is in compliance with the provisions
12 of this section.

13 (b) An actuarial memorandum justifying the rate schedule
14 change request that includes all of the following:

15 (1) Lifetime projections of earned premiums and incurred claims
16 based on the filed premium rate schedule increase, and the method
17 and assumptions used in determining the projected values,
18 including reflection of any assumptions that deviate from those
19 used for pricing other forms currently available for sale.

20 (A) Annual values for the five years preceding and the three
21 years following the valuation date shall be provided separately.

22 (B) The projections shall include the development of the lifetime
23 loss ratio.

24 (C) For policies issued with premium rate schedules approved
25 under Section 10236.11, the projections shall demonstrate
26 compliance with subdivision (a) of Section 10236.14. For all other
27 policies, the projections shall demonstrate compliance with Section
28 10236.1.

29 (D) In the event the commissioner determines that a premium
30 rate increase is justified due to changes in laws or regulations that
31 are retroactively applicable to long-term care insurance previously
32 sold in this state, then:

33 (i) The projected experience should be limited to the increases
34 in claims expenses attributable to the changes in law or regulations.

35 (ii) In the event the commissioner determines that potential
36 offsets to higher claims costs may exist, the insurer shall be
37 required to use appropriate net projected experience.

38 (2) Disclosure of how reserves have been incorporated in this
39 rate increase.

1 (3) Disclosure of the analysis performed to determine why a
2 rate adjustment is necessary, which pricing assumptions were not
3 realized and why, and what other actions taken by the company
4 have been relied on by the actuary.

5 (4) A statement that policy design, underwriting, and claims
6 adjudication practices have been taken into consideration.

7 (5) In the event that it is necessary to maintain consistent
8 premium rates for new certificates and certificates receiving a rate
9 increase, the insurer shall file composite rates reflecting projections
10 of new certificates.

11 (c) A statement that renewal premium rate schedules are not
12 greater than new business premium rate schedules except for
13 differences attributable to benefits, unless sufficient justification
14 is provided to the commissioner.

15 (d) Sufficient information for approval of the premium rate
16 schedule increase by the commissioner.

17 (e) The provisions of this section are applicable to all individual
18 and group policies issued in this state on or after July 1, 2002.